

**POLICE & FIREFIGHTERS
RETIREMENT; DISABILITY
SURVIVORS BENEFIT**

**House Bill 4896 as introduced
First Analysis (10-29-97)**

**Sponsor: Rep. Eileen DeHart
Committee: Public Retirement**

THE APPARENT PROBLEM:

Under the Fire Fighters and Police Officers Retirement Act, a retiree may opt to receive a "regular retirement allowance", meaning that he or she receives an equal monthly payment from the date of retirement throughout his or her life, or may elect to receive the actuarial equivalent of the regular retirement benefit in a reduced amount, which continues after the retiree's death and is payable throughout the life of a named beneficiary (generally, a spouse). However, the act specifies that, if a member has not elected to name a beneficiary and receive a reduced retirement allowance, and is receiving a regular allowance at the time of his or her death, his or her spouse is to receive a pension equal to 60 percent of the regular retirement allowance that the retiree was receiving at the time of his or her death.

The above-described "60 percent" provision for surviving spouses applies to normal nondisability retirements only. The act provides that a member of the retirement system who is disabled before retirement age, whether or not the disability is the result of the member's work, receives a disability retirement allowance until age 55. (However, a duty disability retiree is entitled to a higher pension amount than is a non-duty disability retiree.) At age 55, the member is entitled to have his or her pension recalculated according to a more generous formula, and at that time the disability retiree is asked to make an election of either a "regular" disability pension, or choose one of the options for a reduced retirement amount continuing throughout the life of a beneficiary. It has been pointed out that, if a disability retiree dies before reaching age 55, his or her spouse and dependents receive no survivor's benefits.

THE CONTENT OF THE BILL:

House Bill 4896 would amend the act to add the "60 percent" provision to the disability retirement sections of the act. Specifically, if a member receiving either a duty disability pension or a non-duty disability pension died before attaining 55 years of age, his or her surviving

spouse would receive a survivor disability pension equal to 60 percent of the disability pension that the member was receiving at the time of his or her death. If there was no surviving spouse, the survivor disability pension would be payable to the member's surviving children, if any, and continue to each child until he or she became 18 years old, or until his or her death or marriage before becoming 18 years old.

MCL 38.556

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the bill would result in some costs to local governments who operate retirement systems under the Fire Fighters and Police Officers Retirement Act. The amount cannot be determined at this time, but it is not expected to be significant. (10-28-97)

ARGUMENTS:

For:

The bill would provide equitable treatment for disability retirees. The Fire Fighters and Police Officers Retirement Act, which is a statutory framework used by local governments to administer pension programs for full-time police and fire fighters, provides a survivor's benefit for nondisability retirees that provides a safety net in the event of the death of a member before age 55. The bill would provide that same safety net for the families of disabled police officers and fire fighters covered by these systems. The bill is not expected to affect a great number of retirees, and thus is not expected to have a large cost.

Against:

While setting up a retirement system under the act is voluntary for local governments, once established, each local system must provide benefits as specified in the act. To create a requirement for additional benefits to be paid may have "Headlee" amendment implications.

POSITIONS:

The Michigan State Fire Fighters Union supports the bill. (10-23-97)

The Department of Management and Budget has no position on the bill. (10-24-97)

Analyst: D. Martens

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.